

PENSION VS. NO PENSION:

8.2019

Fewer employers offer pension plans these days. But even if you do have one, see how an annuity can benefit your retirement.



ANNUITIES CAN MAKE THE RETIREMENT JOURNEY SMOOTHER—EVEN IF YOU HAVE A PENSION.

If you're planning for retirement, you're probably aware that traditional pensions are rapidly being replaced by defined contribution plans, like the 401(k). The primary difference between a defined contribution plan, such as a 401(k), and a defined benefit plan, such as a pension plan, is that the amount you contribute to a 401(k) is specified, but the amount you receive is not. Instead, performance of the amount invested in a 401(k) defines the amount of your retirement income.

In fact, 81 percent of company retirement plan sponsors offered only a 401(k) or other defined-contribution plan to new employees in 2017, according to insurance brokerage and advisory firm Willis Towers Watson.

Even if you're one of those fortunate enough to have a traditional pension plan, owning an annuity can still make sense. In its simplest terms, an annuity is a contract between you and an insurance company that guarantees a series of periodic payments to you over a period of time.

If you have a traditional pension, much of how it works is out of your control. The plan determines the monthly payout based on your years of service at the firm, age and annual compensation.

Buying an annuity can provide you with an additional protected lifetime income stream, and you can structure it to help ensure that you have the money you need to live the type of retirement you want.

In addition, annuities come in many varieties, so you have additional flexibility in your retirement portfolio, including annuities that can capture some of the return of the stock market while protecting you from losses in a down year. ([See the different types of annuities available](#))

PENSION VS. NO PENSION:

8.2019

Fewer employers offer pension plans these days. But even if you do have one, see how an annuity can benefit your retirement.

Even if you expect to receive a traditional pension and have been diligently contributing to an employer-sponsored retirement plan or IRA, adding an annuity layer as part of your portfolio can diversify your retirement income streams, which can increase your financial security.

That could be important, especially if there are issues down the line with your pension. There have been news reports of situations where pension payments were lowered in order to keep the fund solvent — a situation that could have a dramatic impact on your retirement lifestyle. You should consult with your financial advisor and your company benefits department to understand the health of your pension.

But even if you don't anticipate any issues with your pension, there are plenty of reasons to consider how an annuity can improve your financial security in retirement. Talk to your financial advisor about what an annuity can do for you as a part of your retirement portfolio.